

SBA News and Views is a monthly publication of the SBA Wisconsin District Office. Its purpose is to provide Wisconsin lenders and small business leaders with up-to-date information on SBA programs and small business issues. It is distributed at no cost, and the reprinting of articles is encouraged

Serving America's Small Businesses

U.S. Small Business Administration Wisconsin District Office

Eric Ness, District Director
February 2006

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SBA Home Page
<http://www.sba.gov>
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<http://www.sba.gov/wi>

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Ten Reasons to Love Wisconsin Small Businesses

The Heart of the State's Economy

Small businesses are the heart of Wisconsin's economy and the Office of Advocacy of the U.S. Small Business Administration is sending this Valentine with the reasons to love them.

1. The latest figures show that small businesses create 65 percent or more of America's net new jobs.
2. There are approximately 17,900 minority-owned businesses and 104,206 women-owned businesses in Wisconsin. Almost all of them are small businesses.
3. Wisconsin saw an estimated 13,093 new small firms with employees' start-up in the last year measured.
4. Small businesses are 97 percent of America's exporters and produce 26 percent of all export value.
5. Home-based businesses account for 53 percent of all small businesses.
6. Small businesses employ 53.8 percent of Wisconsin's non-farm private sector workers.
7. The 406,766 small businesses in Wisconsin are located in every community and neighborhood.
8. Small patenting firms produce 13 to 14 times more patents per employee than large patenting firms.

9. Small businesses create more than 50 percent of the American non-farm private gross domestic product (GDP).

10. Small businesses make up 98 percent of all Wisconsin employers.

The Office of Advocacy, the "small business watchdog" of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues.

For more information, visit the Office of Advocacy website at www.sba.gov/advo.

SBA Upcoming Events In Wisconsin

On February 21st and 22nd, SBA personnel will participate in the Wisconsin Business Development Finance Corporation seminar, *Financing Business Acquisitions*, in Sheboygan and Green Bay. Also on the 22nd, SBA personnel will participate in a Minority Business Round Table sponsored by the State Department of Commerce. SBA will also be taking part in an "Express Loans" Emergency Room Survival Series in Green Bay.

On the 23rd, SBA will be speaking at a "Show Me the Money" financial workshop in Marshfield and will be speaking at a Wisconsin Business Development Finance Corporation meeting in Oshkosh.

What is a Surety Bond?

A Surety Bond is a three-party instrument between a surety, the contractor and the project owner. The agreement binds the contractor to comply with the terms and conditions of a contract. If the contractor is unable to successfully perform the contract, the surety assumes the contractor's responsibilities and ensures that the project is completed. Below are the four types of contract bonds that may be covered by an SBA guarantee:

1. **Bid** – Bond which guarantees that the bidder on a contract will enter into the contract and furnish the required payment and performance bonds.
2. **Payment** – Bond which guarantees payment from the contractor of money to persons who furnish labor, materials equipment and/or supplies for use in the performance of the contract.
3. **Performance** – Bond which guarantees that the contractor will perform the contract in accordance with its terms.
4. **Ancillary** – Bonds which are incidental and essential to the performance of the contract.

The Surety Bond Guarantee (SBG) Program was developed to provide small and minority contractors with contracting opportunities for which they would not otherwise bid. The U.S. Small Business Administration can guarantee bonds for contracts up to \$2 million, covering bid, performance and payment bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. SBA's guarantee gives sureties an incentive to provide bonding for eligible contractors, and thereby strengthens a contractor's ability to obtain bonding and greater access to contracting opportunities. A surety guarantee, an agreement between a

surety and the SBA, provides that SBA will assume a predetermined percentage of loss in the event the contractor should breach the terms of the contract.

You can learn more about SBA's Surety Bond Program by accessing www.sba.gov/financing/bonds/osgprogram.html.

International Trade Notes

On February 1st, SBA Regional Manager for International Trade John Nevell, used a 'Ready Talk' conference call to explain how the SBA's International Trade Program can help businesses sell globally. John pointed out that more than two-thirds of the world's purchasing power lies outside the US. It makes economic sense for businesses to view the world as their client base. John brings twenty plus years of international banking experience to the SBA that provides lenders and small businesses with the in-depth knowledge on how to take the appropriate steps to sell to the international market.

A recorded copy of John's 'Ready Talk' session should be on the Wisconsin SBA website soon.

John works at our SBA International Trade Office in Chicago and can be reached at 312-353-8065 or email at john.nevell@sba.gov.

SBA FY 2007 Budget

SBA announced a fiscal year 2007 budget request of \$624 million that provides a record \$28 billion in loan and venture capital authority for the agency's flagship small business financing programs.

On the technical assistance side, the budget requests approximately \$87 million for Small Business Development Centers,

\$12 million for Women's Business Centers and \$5 million for SCORE.

"The SBA's fiscally responsible FY 2007 request provides for record authority for small business lending and provides for the other key resources we offer to small businesses," said SBA Administrator Hector V. Barreto. "From a lending perspective, this builds on our successes over the last four years, when we reached more small businesses, including more women and minority entrepreneurs. As we have in the past, we also continue to strive to be efficient and innovative in our use of technology as we deliver financing, technical assistance, education, counseling and contracting programs to millions of small business owners."

As in FY 2005 and FY 2006, the 7(a) loan guarantee program will be sustained by modest fees paid by lenders and borrowers and will not be subsidized by an appropriation. This has resulted in an annual savings to the taxpayer of about \$100 million. The program has operated on that basis since the start of FY 2005, and set all-time loan volume and dollar records last year.

The budget proposes a fee on loans greater than \$1 million made to small businesses to offset loan making administrative costs. The fee will have no effect on the vast majority of borrowers. It also proposes to continue providing preferential loan terms to victims of disaster. However, in order to contain the escalating costs of the program, it proposes keeping the current deeply subsidized rates for the first five years after origination, during the critical rebuilding phase. Afterward, rates would graduate to the rates on Treasury instruments of similar maturity. The proposal is expected to save \$41 million in FY 2007.

"These changes are necessary fiscal restraints that strike a balance between

the needs of the SBA's customers and clients with the needs of all American taxpayers," said Barreto. "They will allow us to continue to operate more efficiently and effectively to meet the record demands of small businesses for financing, and of disaster victims for federal help over the long-term."

Highlights of the proposed FY 2007 SBA budget include:

- A record \$17.5 billion in lending authority for the 7(a) loan guarantee program;
- A record \$7.5 billion in lending authority for the 504 Certified Development Company program with a zero subsidy.
- \$3 billion program level for the SBIC debenture program with a zero subsidy (same as current year);
- \$900 million in lending authority for the Disaster Loan Program (five-year average);
- \$743 thousand for the National Women's Business Council (up from \$741 million this year);
- \$743 thousand for Veteran's Outreach (up from \$741 million this year);
- \$990 thousand for the Drug Free Workplace Program (up from \$987 million this year).

"We look forward to working with our oversight committees in Congress as the budget process moves forward to make sure the SBA continues to be America's small business resource," added Administrator Barreto.

Lending Assistance

The SBA needs to keep track of several things when dealing with loan applications.

We need the following areas to be filled in on applications:

Whether a business is new or existing
 Minority Code
 Woman Code
 Vet Code
 Viet Nam Vet or Other Vet Code
 Rural or Urban Code

Please make every effort to properly code all loans.

Mapping Your Path with a Business Plan

You wouldn't start out on a cross-country trek without a map, so why would you want to try to start a business without a business plan?

A business plan precisely defines your business, identifies your goals, and serves as your firm's resume. It helps you allocate resources properly, handle unforeseen complications, and make good business decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals.

The importance of a comprehensive, thoughtful business plan cannot be overemphasized. One of the greatest benefits is that putting a plan together forces you to sit down and map out exactly how you expect to make your business idea successful. Much hinges on it: outside funding, credit from suppliers, management of your operation and finances, promotion and marketing of your business, and achievement of your goals and objectives.

Despite the critical importance of a business plan, many entrepreneurs drag their feet when it comes to preparing a written document. They argue that their marketplace changes too fast for a business plan to be useful or that they just don't have enough time. However, just as a builder will not begin construction without a blueprint, eager business owners should not rush into new ventures without a business plan.

There are four core questions to answer before you begin writing your business plan. 1) What service or

product does your business provide and what needs does it fill? 2) Who are the potential customers for your product or service and why will they purchase it from you? 3) How will you reach your potential customers? 4) Where will you get the financial resources to start your business?

Although there is no single formula for developing a business plan, some elements are common to all business plans. Your plan should start with a cover sheet, a statement of your business purpose and a table of contents. Then start with a section about your business idea: describe your business, tell how you plan to market it, review your competition, describe the operating procedures you plan to adhere to, discuss your plans for employees, and how you plan to hire and train them, and describe your approach to insuring the business.

Next, you will want to provide detailed financial data, including any loan applications you will file, a list of the equipment and supplies you will need and how much they will cost, a balance sheet showing your assets and liabilities, an analysis of what it will take for you to break even, and a projection of your business' income, including anticipated profits and losses.

Your financial data should also be organized in a three-year summary, with detailed projections of cash flow, costs and income, organized month-by-month for the first year and quarter-by-quarter for the second and third years. Be sure to include a discussion of the assumptions on which your projections are based.

You should also have an executive summary in which you summarize the plan, and be prepared to attach supporting documents and financial projections. The supporting documents should include resumes and tax returns of the principal owners for the previous three years, a copy of a franchise agreement if your business

is a franchise, copies of proposed leases or purchase agreements for business space, copies of licenses and other legal documents, and copies of letters of intent from suppliers and known customers.

You can find a detailed guide to producing a solid business plan on the SBA website at www.sba.gov/library/pubs.html#mp-32.

Several other writing a business plan guides are available on the SBA website at www.sba.gov/library/pubs.html.

The SBA also offers a comprehensive guide to starting a business on its website at www.sba.gov/starting_business/index.html.

SCORE Information

Throughout the year, SCORE "Counselors to America's Small Business", holds loan seminars and offers workshops covering a variety of business related topics. At the loan seminars, financial programs of the Small Business Administration are discussed as well as general aspects of starting and running a business. Score counselors and other working professionals in relevant fields, lead workshops and share their expertise with workshop participants.

For more information on dates, locations and costs, please access Wisconsin's SBA calendar at the Web-site address listed in Editor's Notes below.

Editor's Note

We are no longer adding calendar items to the newsletter. They can be accessed at <http://app1.sba.gov/calendar/states/calendar.cfm?op=group&grp=73>.

SBA January 2006 Loans

Amcore Bank NA
Rockford, IL – 1 Loan for \$200,000

American National Bank
Fox Cities
Appleton – 5 Loans for \$110,000

Anchor Bank FSB
Madison – 1 Loan for \$197,000

Associated Bank NA
Green Bay – 28 Loans for \$3,444,600

Bank Mutual
Milwaukee – 2 Loans for \$105,000

Baylake Bank
Sturgeon Bay – 1 Loan for \$228,500

Capital One Federal Savings Bank
McLean, VA – 12 Loans for \$371,000

Charter Bank Eau Claire
Eau Claire – 2 Loans for \$481,300

Citizens Bank
Kaukauna – 1 Loan for \$25,000

Community Bank & Trust
Sheboygan – 4 Loans for \$1,916,000

Community First CU
Appleton – 2 Loans for \$128,000

Community State Bank
Union Grove – 1 Loan for \$85,000

Cornerstone Community Bank
Grafton – 1 Loan for \$75,000

Coulee Bank
La Crosse – 1 Loan for \$29,600

Farmers & Merchants State Bank
Waterloo – 1 Loan for \$133,000

First Bank Financial Centre
Oconomowoc – 3 Loans for \$538,000

First Citizens State Bank
Whitewater – 1 Loan for \$600,000

First National Bank & Trust
Phillipsburg, KS – 1 Loan for \$125,000

First National Bank-Fox Valley
Neenah – 2 Loans for \$275,000

Oshkosh – 1 Loan for \$475,000

Total: 3 Loans for \$750,000

First National Bank-River Falls
River Falls – 1 Loan for \$350,000

Green Lake State Bank
Green Lake – 3 Loans for \$236,000

Hometown Bank
St. Cloud – 1 Loan for \$72,000

Investors Community Bank
Manitowoc – 1 Loan for \$10,000

JPMorgan Chase Bank NA
Phoenix, AZ – 2 Loans for \$200,400

Houston, TX – 2 Loans for \$35,200

Total: 4 Loans for \$235,600

Layton State Bank
Milwaukee-2 Loans for \$105,000

M&I Marshall & Ilsley Bank
Milwaukee – 11 Loans for \$1,268,000

West Allis – 1 Loan for \$2,000,000

Total: 12 Loans for \$3,268,000

Merchants Bank NA
Hampton, MN – 1 Loan for \$50,000

Milwaukee Economic Development Corp.
Milwaukee – 1 Loan for \$462,000

Milwaukee Western Bank
Milwaukee – 1 Loan for \$142,000

Park Bank
Brookfield – 1 Loan for \$95,000

River Bank
Stoddard – 1 Loan for \$20,000

River Valley State Bank
Rothschild – 1 Loan for \$350,000

State Bank of Cross Plains
Waunakee – 1 Loan for \$126,000

Cross Plains – 1 Loan for \$35,000

Total: 2 Loans for \$161,000

Stearns Bank NA
St. Cloud, MN – 1 Loan for \$235,000

The Park Bank
Madison – 1 Loan for \$150,000

The Reedsburg Bank
Reedsburg – 1 Loan for \$130,000

Twin Cities-Metro Certified Development
Shoreview, MN
2 Loans for \$1,073,000

US Bank NA
Cincinnati, OH – 20 Loans for \$845,900

Waukesha State Bank
Waukesha – 3 Loans for \$235,000

Wells Fargo Bank NA
San Jose, CA – 11 Loans for \$865,900

Wisconsin Business Development Finance
Monona – 9 Loans for \$4,273,000

Wisconsin Community Bank
Cottage Grove – 2 Loans for \$650,000

Wood County National Bank
Wisconsin Rapids
1 Loan for \$205,000

SBA January 2006 Micro Lender Loans

Lincoln Neighborhood Redevelopment Corp.
1 Loan for \$35,000

A FREE WORKSHOP

How Can I Get a Construction Bond In Wisconsin?

Wednesday, February 27 & 28, 2006

2/27-Check in starts at 3:00 p.m. & Program ends at 5:00 p.m.

2/28-Check in starts at 1:00 p.m. & Program ends at 3:00 p.m.

The U.S. Small Business Administration will hold a **FREE** information seminar addressing what it takes to get a Construction Bond. The workshop will start on time so arrange your time to arrive early to allow for check-in and seating.

2/27 Location is Racine Urban League, 718 N. Memorial Drive, Racine, WI.

2/28 Location is African American Women's Center, 3020 W. Vliet Street, Milwaukee

To register, please complete this form and fax to (202) 481-4497 by February 24, 2006

Name:	_____		
Organization:	_____		
Address:	_____		
City:	State:	Zip:	
_____	_____	_____	
Phone:	Fax:		_____
_____	_____		_____
E-mail:	_____		

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